

**City of San Diego**  
**M E M O R A N D U M**

DATE: May 10, 2005

TO: Councilmember Donna Frye

FROM: <sup>JK</sup>Jeff Kawar, Economic Development Division Deputy Director

SUBJECT: Water and Wastewater Capacity Charges: Council Policy 900-12

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On June 8, 2004 and subsequently on June 22, 2004, you requested that the City Manager review Council Policy 900-12 (Attachment 1) as it relates to water and sewer capacity charges. You reiterated this request in a letter to the City Manager dated February 23, 2005. This memo, with its attachments, endeavors to provide you with the information that you specifically requested in our brief conversation yesterday morning.

Council Policy 900-12 allows for the utilization of fiscal and technical assistance incentives to “attract and retain major revenue, job generating, and revitalization projects throughout the City, along with criteria and procedures to ensure that the Program is equitably and efficiently administered.” The Economic Development Division utilizes this policy to provide assistance to businesses that are either making capital investments or operating in a way that will support targeted public benefit objectives. Examples of public benefit objectives include: generating new/recurring revenue for the General Fund; creating industrial/manufacturing and other livable wage jobs for San Diegans; contributing to community revitalization; and/or other business practices (i.e., best water management and conservation practices) that benefit City operations.

Economic Development Division staff has been judicious in according Council Policy 900-12 incentives. In 2001, we suggested amending Council Policy 900-12 (by recommending that the City Council adopt a referenced Community and Economic Development Strategy) to exclude hotels (a low wage job creator) and market rate housing to ensure that the policy could justifiably achieve targeted public benefit objectives. Additionally, we utilize financial incentive agreements to provide the City with a legal mechanism for recapturing fiscal incentives in the event that promised public benefits are not delivered.

You specifically expressed interest in the water and sewer capacity fee reductions that have been granted to qualifying businesses (as well as redevelopment and affordable housing projects). Attachment 2 provides a five-year history (FY 01 through FY 05 to date) of capacity fee reductions in the three categories. Attachment 3 offers a percentage comparison with data tables for each category over the same five year period.

It is important to note that water and sewer capacity fee reductions are the only fiscal incentives regularly used for qualifying businesses or projects in accordance with Council Policy 900-12. Excluding water and sewer capacity fee reductions, all of the incentives listed in Council Policy 900-12 Section B(1) are staff assistance or new public/private revenue sharing programs in the case of 1(d). With respect to the incentives referenced in Section B(2) *over the last ten years*, the following applies: 2(a) has only been used twice (for a conditioned HTF reimbursement paid to Novartis and yet to be paid to IDEC) – *no other reimbursements have been paid for permit processing fees, DIFs, FBAs, water/sewer capacity fees, DRA fees or public improvement costs*; 2(b) has not been used as Section 5108 of the California Revenue & Tax Code has expired and it is very difficult to qualify for Section 51298; and 2(c) offers tax-exempt financing, at no cost to the City, for industrial and other qualifying/targeted projects.

Although rarely utilized to date, the fiscal incentives referenced in Section B. 2(a) of Council Policy 900-12 are contemplated for unique situations where incentives might be instrumental in garnering extraordinary economic public benefits. The policy requires that these incentives be individually approved by the City Council when recommended by staff. For example, in 1999 staff recommended and the City Council approved reimbursing Housing Trust Fund fees paid by Novartis when (and only if) new General Fund revenues attributable to their capital investment (facility and equipment) exceeded the amount of the HTF fees paid. In this instance, the extraordinary economic public benefit was judged to be: 1) the attraction of the world's largest biotechnology company to the City, 2) plans to create 500 livable wage jobs and 3) the generation of approximately \$10 million in new General Fund revenue (net of reimbursements and fee reductions) - primarily new property tax. Novartis was provided the water/sewer capacity fee reductions; however, they paid all FBA and other regular development related fees.

The staff of Economic Development Division judiciously utilizes fiscal and technical assistance incentives to ensure that the City remains competitive with neighboring jurisdictions (and numerous other entities) who actively recruit existing tax/job generating businesses away from our City. In an effort to supplement the limited array of incentives offered through Council Policy 900-12, my staff has sought and received numerous grants, special incentive zone designations and other incentives from outside agencies. Special incentive zones (Federal Renewal Community, Foreign Trade Zone, State Enterprise Zones), for example, offer fiscal incentives (Federal and State income tax incentives) that Economic Development Division staff use to encourage business investment and targeted job creation.

We believe that public incentives work on the margin and that business factors (operational, markets, real estate, etc.) typically drive investment decisions. There are numerous factors (tax/fee policies, regulatory environment, qualified employee base, quality of life, outsourcing of middle-wage manufacturing jobs, scarcity of industrial lands, etc.) that significantly influence our current economic development activities. My staff attempts to be both sensible and aggressive in using the limited array of economic development tools that we have to support a healthy economy for the City. Our focus continues to be on encouraging business investment that generates new General Fund revenue, creates middle wage job opportunities and contributes to community revitalization.

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Please find that I've also attached a binder prepared by Russ Gibbon of my staff which summarizes the history of Council Policy 900-12, lists examples of businesses receiving incentives, provides a chronological history of water/sewer capacity charges and provides the associated policies/resolutions. I apologize for the delayed response to your inquiry. Should you have any questions relating to the attachments or the aforementioned text, please contact me 533-4221 or Russ at 533-4273.

## CITY OF SAN DIEGO, CALIFORNIA

**COUNCIL POLICY****CURRENT**

SUBJECT: BUSINESS AND INDUSTRY INCENTIVE PROGRAM  
POLICY NO.: 900-12  
EFFECTIVE DATE: May 15, 2001

**BACKGROUND:**

Local residents depend on a sound and healthy economy for both the jobs and commercial services that provide the foundation for a high quality of life. The City of San Diego depends on the stability and growth of taxes and other revenues resulting from a sound and healthy economy to provide essential services to the community.

Auto malls, shopping centers, manufacturing facilities, research and development facilities, and large point of sale businesses are responsible for a substantial portion of the City's general fund revenues. A decline in these businesses' sales, number, or overall health will lead to a corresponding erosion in the tax base, jobs, revenues to the City, and public service levels. Other jurisdictions aggressively compete for these businesses' jobs and revenues by offering attractive incentives and subsidies for the purpose of inducing them to relocate from San Diego.

A further challenge to the City's quality of life is that certain parts of the City have declined in economic vitality because of their age, competition from newer retail centers, and disinvestment. This decline further reduces the City of San Diego's property and sales tax base as well as diminishing the quality and number of these areas' residents' desired commercial services.

The City of San Diego has programs aimed at specific economic development goals. For example, the Redevelopment Agency has the ability to provide financial assistance to businesses as part of a plan to eliminate blighting conditions; the Enterprise Zones promote job opportunities in low-income neighborhoods; targeted public improvements are used to stimulate new private investments; and the Business Improvement Districts provide a partnership between the City and merchants in certain designated commercial corridors to provide private sector revitalization solutions.

Despite these programs, the City must also have a program to offer financial or other assistance for major revenue and job generating projects that promote a sound and healthy economy, to promote the stability and growth of City taxes and other revenues, to encourage new business and other appropriate development in older parts of the City, and to respond to other jurisdictions' efforts to induce business to relocate from San Diego.

**PURPOSE:**

To provide for a Business and Industry Incentive Program designed to attract and retain major revenue, job generating, and revitalization projects throughout the City, along with criteria and procedures to ensure that the Program is equitably and efficiently administered.

**POLICY:**

It shall be the policy of the City Council as follows:

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**CURRENT**

**A. Criteria for Business and Industry Incentives**

The City may provide assistance when necessary or appropriate to attract, retain, expand, or assist projects or businesses which meet both following criteria -

1. Either:
  - a. Provide significant revenues and/or jobs that contribute to a sound and healthy economy;
  - b. Promote the stability and growth of City taxes and other revenues;
  - c. Encourage new business and other appropriate development in older parts of the City; or
  - d. Respond to other jurisdictions' efforts to induce businesses to relocate from San Diego;
- and
2. Are consistent with the City's current adopted Community and Economic Development Strategy.

**B. Authorized Business and Industry Incentives**

The City may provide one or more of the following incentives, as necessary or appropriate, for projects or businesses that meet the criteria of A. above -

1. The City Manager or his designee may exercise administrative discretion to authorize one or more of the following incentives:
  - a. The provision of assistance in securing required City permits and approvals;
  - b. The provision of due diligence assistance in advance as a potentially valuable project is under consideration, and the provision of preliminary reviews;
  - c. The expediting of required Development Review Department permits;
  - d. Crediting up to 45% of sales or use taxes paid by the business against City business license taxes and/or development related fees, or rebating up to 25% of sales or use taxes paid by the business, if such sales or use taxes constitute previously uncollectable revenue to the City and the business pays its sales or use taxes to the State Board of Equalization properly reporting San Diego as the situs of sale or use, consistent with the provisions of the Business Cooperation Program (Resolution R-288034); and/or
  - e. Reducing water and sewer capacity charges by \$1,000 per equivalent dwelling unit (Resolution R-287543).

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2. The City Council must approve any one or more of the following incentives:
  - a. Reimbursing all or a portion of City permit processing fees. Development Impact Fees, Facilities Benefit Assessments, Housing Impact Fees, Water/Sewer Capacity fees; fees collected pursuant to Developer Reimbursement Agreements, and/or costs of public improvements that are a required condition of the development, from future revenues to the City generated directly from the project after the City's receipt thereof;
  - b. Rebating all or a part of the City's portion of real and personal property taxes paid to the County Assessor levied on real and personal property related to the project's manufacturing process after the City's receipt thereof, consistent with the provisions of authorizing the state law (Calif. Rev. & Taxation Code, Section 5108 et. seq. and 51298 et. seq.); and/or
  - c. Providing tax-exempt bond financing through issuance or approval of Industrial Development Bonds, Non-Profit Bonds, or Enterprise Zone Bonds, pursuant to Council Policy 100-12.

PROCEDURE:

An owner or authorized proponent of a business or project seeking assistance from the City of San Diego shall submit information to the City Manager or his designee detailing how the business or project meets the required criteria, the type of assistance requested, and how the assistance may affect the development decision.

The City Manager or his designee shall review the business or project information and may deny the requested assistance or negotiate an Incentive Agreement providing for assistance, as appropriate. If necessary, the Manager or his designee may request additional information, may refer the request and supporting information to a City financial consultant, or may require the applicant to assume the costs of an independent consultant selected by the City. If assistance pursuant to this Policy is justified, an agreement shall be drafted incorporating the recommended assistance among the incentives described in Paragraph B above, as appropriate.

An agreement that does not involve General Fund reimbursement of fees or rebate of taxes, or which authorizes reimbursement based on prior City Council authorization, may be approved by City Manager action. An agreement that requires General fund reimbursement of fees or rebate of taxes shall be presented to the City Council for its review and approval, along with a supporting Manager's Report. The Manager's Report shall include a cost/benefit analysis of the proposed incentive, including both the fiscal impact on the City as well as broader economic and social impacts, if any. General Fund obligations incurred as a result of Incentive Agreement approved by the City Council shall be included in the Annual Budget.

Incentive Agreements shall be comprehensive in scope, including all types of assistance necessary and appropriate for the business or project as well as appropriate requirements that the business or project must fulfill as conditions for receiving the assistance, including requirements involving City partnership agencies such as the Centre City Development Corporation, the San Diego Workforce

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**CURRENT**

Partnership, etc. Approval of an Incentive Agreement, whether by City Manager action or by the City Council, does not imply approval of required development permits, including discretionary permits.

REFERENCE:

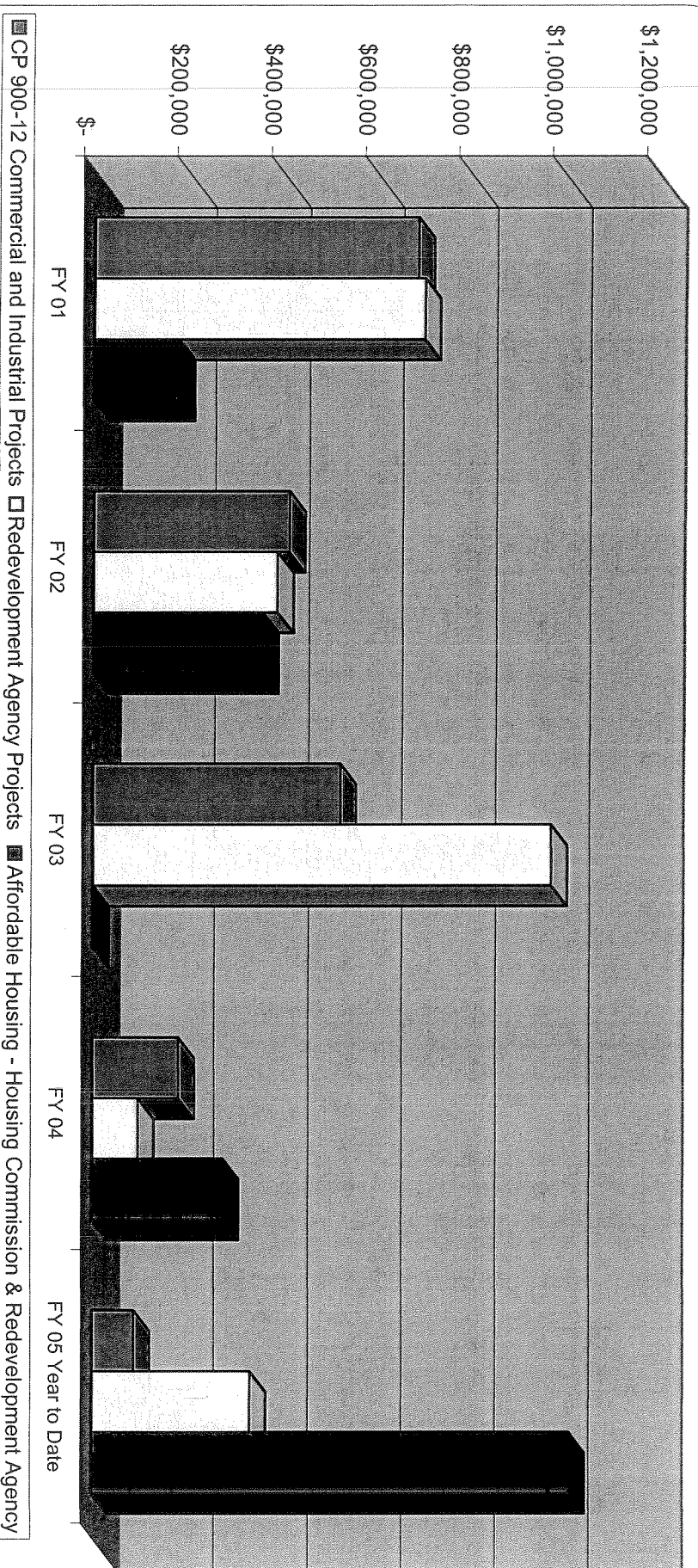
Council Policy 900-01 - Economic Development  
Council Policy 000-19 - Legislative Policy Guidelines  
Council Policy 100-12 - Industrial Development Bond Program  
Resolution R-287543 - Water/Sewer Capacity Fee Reductions  
Resolution R-286015 - Housing Impact Fee Waiver - Enterprise Zones  
Resolution R-288034 - Business Cooperation Program

HISTORY:

Added by Resolution R-282497 08/09/1993  
Amended by Resolution R-290241 06/15/1998  
Amended by Resolution R-294831 05/15/2001

## ANALYSIS OF WATER SEWER CAPACITY FEE REDUCTION INCENTIVE

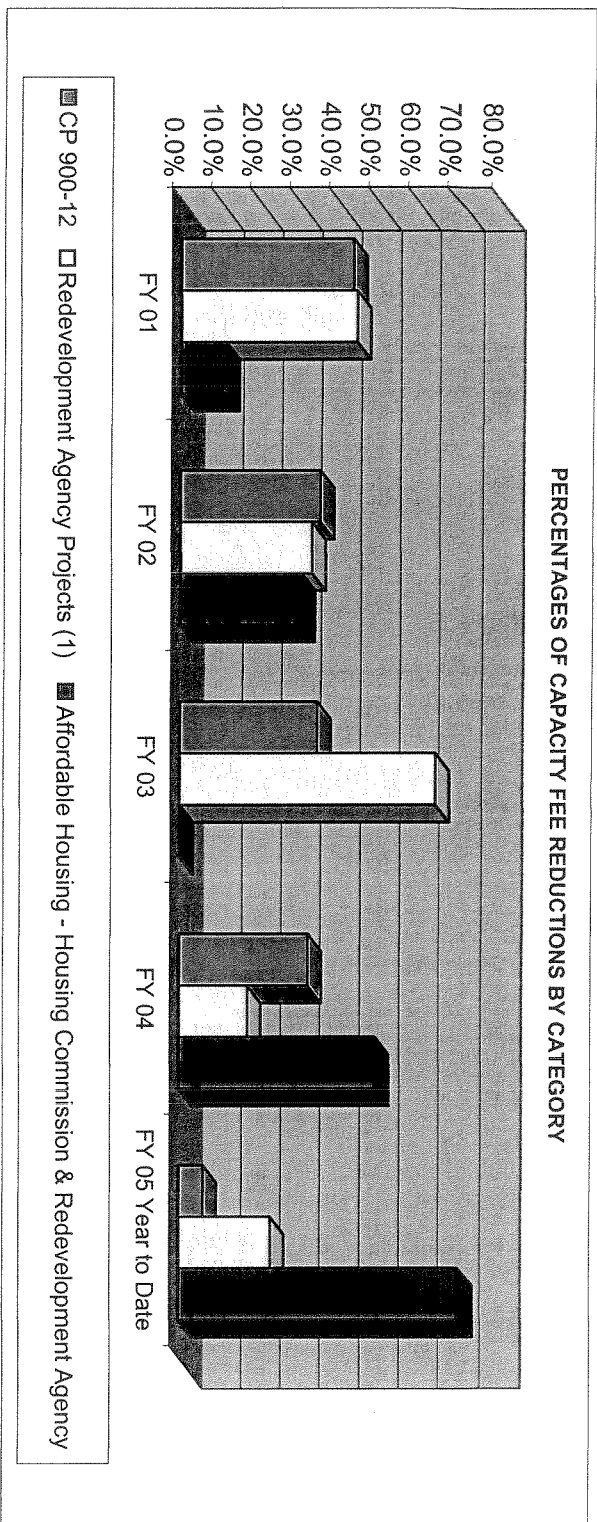
## DOLLAR AMOUNT OF CAPACITY FEE REDUCTIONS BY CATEGORY



	FY 01	FY 02	FY 03	FY 04	FY 05 Year to Date
TOTAL CAPACITY FEES COLLECTED	\$ 40,257,759.81	\$ 42,233,458.41	\$ 34,452,102.86	\$ 34,839,323.28	\$ 21,844,172.40
ALL CAPACITY FEE REDUCTIONS AS A % OF TOTAL CAPACITY FEES COLLECTED	3.9%	2.8%	4.4%	1.6%	6.6%
COMMERCIAL & INDUSTRIAL FEE REDUCTIONS AS A % OF TOTAL CAPACITY FEES	1.6%	1.0%	1.5%	0.5%	0.4%



## ANALYSIS OF WATER SEWER CAPACITY FEE REDUCTION INCENTIVE



PROJECT CATEGORY	FY 01		FY 02		FY 03		FY 04		FY 05 Year to Date	
CP 900-12 Commercial and Industrial Projects	43.8%	\$ 688,997.40	35.6%	\$ 416,197.20	35.0%	\$ 526,052.00	32.8%	\$ 182,532.00	6.1%	\$ 88,034.17
Redevelopment Agency Projects (1)	44.8%	\$ 703,700.00	33.5%	\$ 391,500.00	65.0%	\$ 977,500.00	17.4%	\$ 96,800.00	23.3%	\$ 336,032.49
Affordable Housing - Housing Commission & Redevelopment Agency	11.4%	\$ 179,740.00	30.8%	\$ 360,010.00	0.0%	\$ -	49.8%	\$ 277,290.00	70.6%	\$ 1,016,884.54
<b>TOTAL INCENTIVE REDUCTIONS</b>	<b>100.0%</b>	<b>\$ 1,572,437.40</b>	<b>100.0%</b>	<b>\$ 1,167,707.20</b>	<b>100.0%</b>	<b>\$ 1,503,552.00</b>	<b>100.0%</b>	<b>\$ 556,622.00</b>	<b>100.0%</b>	<b>\$ 1,440,951.20</b>

## Footnotes:

- (1) Almost all of the granted redevelopment water and sewer capacity fee reductions were for market rate housing projects in the CCDC project area (the table below shows CCDC market rate housing as a percentage of total Redevelopment fee reductions.) On May 15, 2001, Council Policy 900-12 was amended in conjunction with the CED Strategy to exclude water and sewer capacity fee reductions for market rate housing; however, market rate housing projects that were already in the permit review process remained eligible for this reduction.

FEE REDUCTIONS FOR CCDC MARKET RATE HOUSING AS A PERCENTAGE OF REDEVELOPMENT AGENCY FEE REDUCTIONS IN THE ABOVE CHART	FY 01		FY 02		FY 03		FY 04		FY 05	
	90.6%	\$ 637,300.00	89.0%	\$ 348,500.00	99.4%	\$ 971,600.00	0.0%	\$ -	0.0%	\$ -

**Council Policy 900-12  
And  
Associated Documents**

## **History and Implementation of Council Policy 900-12**

Pursuant to Council Policy 900-01 ("Economic Development") and Council Policy 900-04 ("Industrial Development") which have been in existence since 1975 and 1978 respectively, the City Council passed Resolution R-282497 enacting a new Council Policy, 900-12 ("Business & Industry Incentive Program") which provided general guidance and authority for a range of actions to "attract and retain major revenue and job generating projects throughout the City." Pursuant to this Policy, the City Manager created an "Ombudsman" position within the Property Department's Economic Development Division. The City staffer(s) fulfilling this position worked across departmental lines to expedite building permit issuance for "targeted industries." The first targeted industry identified was the "Biotechnology" industry which was emerging as a new industry which might be able to re-employ highly skilled workers recently laid-off by downsizing defense contractors. Other targeted industries such as electronics would also receive this permit assistance as well.

In 1994 the City Council adopted R-284933 granting to the City Manager the authority to reduce water and sewer capacity fees for projects meeting the criteria specified in Council Policy 900-12. This action was taken in response to a severe economic recession coupled with significant structural problems in the local economy stemming from the downsizing of southern California defense contractors. Fee reductions were provided to emerging industries such as biotechnology, electronics, telecommunications, and software. Certain other tax revenue generating projects such as large regional shopping centers, auto dealerships, and hotels were also accorded this benefit in order to induce these businesses to construct new tax generating investments within the City of San Diego rather than in outlying cities. This initial reduction authorization allowed City staff, acting by and through the City Manager, to reduce these utility connection costs by approximately 45%. CP 900-12 also conceptually granted the Manager the ability to waive or reduce other impact fees, however the City Attorney's office opined that these other conceptual incentives could not be implemented, so water and sewer capacity fee reductions became in effect the only city-wide financial incentives used to induce job and tax revenue generating development.

In 1996 the City Council reduced water and sewer capacity charges across the board by this same 45% for all new system users. At this time the City Council also granted to the City Manager authority to further reduce these capacity charges by an additional 40% to \$1,500/EDU for (1) enterprises meeting the criteria specified in Council Policy 900-12, (2) affordable housing projects, and (3) housing projects in Redevelopment Areas. During the period from 2000 to 2005 the aggregate of these 40% reductions is shown in Attachment 1.

In 2001, CP 900-12 was updated to make significant changes to the enterprises and projects accorded incentives, including water and sewer capacity fee reductions. Hotels ceased to qualify for incentives provided under this program, and selected non-residential redevelopment projects were granted these citywide incentives including water and sewer capacity fee reductions. This change was consistent with both citywide development trends and the Community & Economic Development Strategy which began to focus more effort on a coordinated approach to community revitalization. The amounts and proportions of the aggregate annual totals of all water and sewer capacity fee reductions have changed dramatically as this updated policy and accompanying strategy was implemented. Relatively more subsidies have gone towards affordable housing, and relatively less dollars towards non-affordable redevelopment housing projects and business enterprises accorded these incentives pursuant to CP 900-12. The updated version of CP 900-12 also provided a mechanism through which the City Council could provide discretionary relief to businesses and projects which might be subject to other development-related City fees. Pursuant to section B(2)(a) of CP 900-12, upon recommendation of the City Manager, the City Council can authorize the reimbursement of City fees paid by a project proponent, using General Fund tax revenues generated by the project. The City council has authorized two (2) such reimbursements (Novartis AG, and IDEC Pharmaceutical Corp.), however only one (Novartis AG) has actually been implemented and paid.

The following are some larger projects which received water and sewer capacity fee reductions and the public benefits derived from these projects in accordance with this policy:

### **Redevelopment Projects**

#### **Imperial Marketplace**

The Imperial Marketplace is a commercial development recently constructed in the Mountain View community pursuant to a DDA executed with the Southeast Economic Development Corp. (SEDC). This development contains a Home Depot, new office space, restaurants, and several smaller shops. Since the trade area for the Home Depot extends into National City this development has generated new but unspecified sales tax revenues for the City's General Fund. Additionally, this project which is located in an area characterized by high rates of unemployment, will provide low-income area residents with better access to the job opportunities which will result from the construction and use of the new retail establishments.

#### **Las Americas**

Las Americas is a large regional shopping center directly adjacent to the Mexican border which was constructed pursuant to a DDA executed with the City's Redevelopment Agency. This development contains dozens of smaller retail shops. Since the trade area for these retail establishments extends into Mexico, his project has generated new but unspecified sales tax revenues for the City's General Fund.

Additionally, this project which is located in an area characterized by high rates of unemployment will provide low-income area residents with better access to the job opportunities which will result from the construction and use of the new retail establishments.

### **Industrial Projects**

In addition to its use as a “supply-side” stimulus tool to encourage new commercial and industrial development, city staff has, in accordance with the amended Council Policy 900-12, packaged the reduction with other business development programs which have resulted in other extraordinary public benefits such as increased sales/use tax revenue and beneficial use of reclaimed water.

#### **Novartis AG**

This six-building research & development project was constructed in 2001 pursuant to an Economic Development Incentive Agreement which provided a complete package of financial incentives to this Swiss pharmaceutical company. In addition to the creation of over 500 high-paying jobs, Novartis agreed to participate in the City's Business Cooperation Program (BCP), thus allocating new sales and use tax revenues to the City's General Fund. These tax revenues would have otherwise been allocated to other taxing jurisdictions outside San Diego. Thus far Novartis' participation in the BCP has resulted in approximately \$275,000 in additional tax revenues above and beyond that which would otherwise have been generated in standard receipts of sales, use, and property taxes. This project should generate in excess of \$10 million in combined aggregate tax revenue from all tax sources over the 37-year useful life of the project.

#### **Johnson & Johnson**

This two-building research and development complex was constructed in two phases beginning in 1998. In addition to the expected jobs, tax revenue, and other economic development benefits resulting from this project, Johnson and Johnson agreed to participate in the City's new Guaranteed Water For Industry Program which involves the voluntary use of reclaimed water for industrial cooling of the machinery and laboratory facilities. 40% of the water used at Johnson and Johnson's La Jolla industrial complex is reclaimed water supplied by the City's North City Water Reclamation Project. Additionally, J&J has implemented Best Management Practices for Potable Water Conservation and is the first biotechnology company to construct a co-generation facility which supplies virtually all of the electricity used in the complex. J&J has won numerous awards and recognitions for its good corporate citizenship in connection with this facility and its participation in these City programs.

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Biosite, Inc.

This biotechnology company is constructing four new industrial buildings in Mira Mesa which will accommodate most of the company's 1,200 employees. Biosite manufactures all of its products in San Diego despite the area's high operating and real estate costs. In exchange for expedited permits and reduced water and sewer capacity fees, Biosite agreed to use reclaimed water for industrial cooling at the new Mira Mesa complex. Biosite owns an additional 10 acres adjacent to this complex where future buildings will be constructed and future manufacturing jobs will be created. City staff expects that these new buildings will also use reclaimed water for cooling through its participation in the Guaranteed Water for Industry program.

## Chronology for Actions Related to Water and Sewer Capacity Charges

- 1990 The City of San Diego Economic Development Task Force Report identified water and sewer capacity fees as “areas of concern for San Diego Businesses” (p.18) and recommended the “reduction or deferral of fees” for “targeted industries.” (p. 16) The Economic Development Task Force was comprised of industrialists, developers, business owners, academics, and a representative from the Intl. Assn. of Machinists and Aerospace Workers. The task force was appointed by the City Manager pursuant to Council Resolution and completed its work at a time when the City was under a severe economic recession exacerbated by the post cold war defense spending cut-backs and severe structural problems in California’s regulatory environment.
- 1993 Under the Administration of Mayor Susan Golding, the City Council passed Resolution R-282497 enacting Council Policy 900-12 the “Business & Industry Incentive Program” which provided general guidance and authority for a range of actions to “attract and retain major revenue and job generating projects throughout the City.” Under this Policy the City Manager created an “Ombudsman” position within the Property Department’s Economic Development Division. The City staffer(s) fulfilling this position worked across departmental lines to expedite building permit issuance for “targeted industries.” The first targeted industry identified was the “Biotechnology” industry which was emerging as a new industry which might be able to re-employ highly skilled workers recently laid-off by downsizing defense contractors. Other targeted industries such as electronics would also receive this permit assistance as well. **(Attachment 1)**
- 1994 The City Council adopted Resolution R-284933 authorizing the City Manager to reduce water capacity charges from \$4,012/EDU to \$2,500/EDU and sewer capacity charges from \$6,998/EDU to \$2,500 for commercial and industrial businesses which met the specified criteria for assistance as enumerated in Council Policy 900-12. **(Attachment 2)**
- 1996 The City Council adopted Resolutions R-287543 which reduced (across the board for all new water and sewer system users) the amount of the water and sewer capacity charges. The water and sewer capacity charges were reduced from \$4,012/EDU for new water capacity and 6,998 for new sewer capacity to \$2,500/EDU for both new water and new sewer capacity. This same resolution also further reduced capacity charges to \$1,500/EDU for both new water and sewer connections for three classes of customers:
- (1) “affordable housing units ...as certified by the San Diego Housing Commission”
  - (2) “new residential construction in City approved Redevelopment Areas”
  - (3) “commercial and industrial enterprises which , as determined by the City Manager, meet all of the criteria set forth in Council Policy 900-12...” **(Attachment 3)**
- 1998 The City Council adopted Resolution R-290241 amending Council Policy 900-12 to include “child care facilities” among major job and revenue generating projects subject to the policy. **(Attachment 4)**

2001 Under the Administration of Mayor Dick Murphy, the City Council adopted Resolution R-294831 which made substantial amendments to Council Policy 900-12. The amended version enacted principally four new changes which affected those customers which could potentially receive the \$1,000/EDU reductions in water and sewer capacity charges pursuant to those sections of 287543 which referenced "new residential construction in City approved Redevelopment Areas, and enterprises which met the criteria set forth in Council Policy 900-12:

- (1) tax revenue was specifically defined as including "sales, use, property, and business license tax revenue." This change deliberately excluded Transient Occupancy Tax (TOT) so as to enable the City Manager to more easily deny requests for fee reductions or other public assistance from the proponents of lodging and accommodation (hotel/motel) projects. Such projects are significant users of the water and sewer systems, typically create primarily low-paying jobs, and are not thought to be significantly influenced to invest in San Diego due to the provision of incentives;
- (2) Any business or project had to be consistent with the intent and applicable provisions of the Community & Economic Development Strategy which was adopted simultaneously with the amendments to Council Policy 900-12. Among other things, this Strategy required that projects in redevelopment areas be subject to a Disposition and Development Agreement (i.e "redevelopment project") in order to qualify for any incentives including water and sewer capacity fee reductions;
- (3) Businesses or projects receiving any form of public assistance including expedited permit processing, fee reductions, fee deferrals, fee reimbursements, and tax rebates would have to participate in the City's other business development programs as applicable. Since private sector participation in these other business development programs provides public benefits to the City, this provision of Council Policy 900-12 was designed to move the Policy away from an entitlement program (where an applicant "qualifies" for assistance) towards the direction of a Development Agreement where City staffers negotiate with project proponents to obtain "extraordinary public benefits" in exchange for the granting of city-funded staff time and/or financial assistance. (**Attachment 5**)

2004 City Council adopted Resolutions R-\_\_\_\_\_ and R-299321 which increased water and sewer capacity charges to \$2,550 and \$3,710 respectively based on new studies which identified these figures as the cost of providing access to the water and sewer systems. R-299321 specifically exempted "affordable housing units and residential units constructed in redevelopment areas and commercial and industrial enterprises qualifying for reduced capacity charges pursuant to Council Policy 900-12 and Resolution 287543" R-299321 further directed the City Manager to "review Council Policy 900-12 relating to the business and industry incentive program for water and sewer capacity charges, and report back to the *City Council within three months.*" (**Attachment 6**)



(R-94-119) COR.COPY

07/29/93

RESOLUTION NUMBER R-282497  
ADOPTED ON AUGUST 9, 1993

BE IT RESOLVED, by the Council of The City of San Diego, that they accept City Manager's Report No. 93-223, and adopt a Council Policy to establish a Business and Industry Incentive Program for revenue generating developments.

APPROVED: JOHN W. WITT, City Attorney

By

Allisyn L. Thomas  
Deputy City Attorney

ALT:pev:lc

07/21/93

07/29/93 COR.COPY

Or.Dept:Mgr.

R-94-119

Form=r-t

ADDITIONAL 1

**COUNCIL POLICY**

SUBJECT

BUSINESS AND INDUSTRY INCENTIVE PROGRAM

POLICY  
NUMBER 900-12

EFFECTIVE  
DATE ~~08/09/93~~

BACKGROUND:

The City of San Diego is dependent on the continued stability and growth in various revenues and jobs in order to provide essential services to the community. Stability and growth in revenues such as sales and property tax are related not only to the health of the local economy, but to the location and expansion of major revenue and job generating developments.

Commercial development such as auto malls and shopping centers as well as point of sale businesses are responsible for a substantial portion of the City's general fund revenues. A decline in these types of establishments within the City of San Diego will lead to a corresponding erosion in the tax base, jobs and revenues to the City.

Other jurisdictions within the region are aggressively competing for additional revenues and jobs from these businesses. Incentives and subsidies are commonly provided in order to attract and retain these revenue and job generating projects.

The City of San Diego through its Redevelopment Agency has the ability to provide financial assistance to eliminate blighting conditions. Similarly, the City has developed a process and procedures for the disposition of City-owned land which include the ability to offer some financial incentives. The City also has the capability to enter into Development Agreements which include provisions for City assistance. The City does not have a program to offer financial or other types of assistance to major revenue and job generating projects outside of redevelopment project areas, large scale development agreements or city-owned property.

PURPOSE:

To provide criteria and procedures for a Business and Industry Incentive Program designed to attract and retain major revenue and job generating projects throughout the City.

POLICY:

It shall be the policy of the City Council to consider providing assistance to attract and retain major revenue and job generating

**COUNCIL POLICY**

SUBJECT  BUSINESS AND INDUSTRY INCENTIVE PROGRAM	POLICY NUMBER 900-12
	EFFECTIVE DATE <del>08/09/93</del>

projects which:

Contribute to the improvement and growth of the City's economic base;

Demonstrate an established track record for high volume tax revenue generation;

Provide employment opportunities for city residents;

Eliminate or prevent blight;

Demonstrate a long term commitment to the community;

Are consistent with the City's Economic Development Policy and Strategic Plan and the community's needs and objectives;

Generate new or retained stabilized annual City tax revenues of at least \$500,000; create 200 quality jobs; provide for substantial new or expanded scientific research facilities.

Furthermore, it shall be the policy of the City Council to allow direct negotiation with revenue and job generating projects including the following types of assistance:

Expedited permit processing to insure the timely completion of development and initiation of revenue flow;

Formation by the City of assessment districts which provide for the long term financing of public improvements associated with the development;

Fee credits for public improvements which are associated with the development and included in an adopted facilities financing plan;

Reimbursement for costs of public improvements associated with the development from future revenue sources including public infrastructure funds;

Reimbursement of fees through future revenues derived from the development.

PROCEDURE:

**COUNCIL POLICY**

## SUBJECT

BUSINESS AND INDUSTRY INCENTIVE PROGRAM

POLICY  
NUMBER 900-12EFFECTIVE  
DATE 08/09/93

Revenue and job generating developments requesting assistance from the City of San Diego shall submit a information detailing how they meet the required criteria and the type of assistance requested. Upon review by staff and/or the City's financial consultants, additional information may be requested and the applicant may be required to assume the costs of an independent analysis of their project. Should it be determined that financial assistance is justified, a proposed agreement shall be brought forward to the City Council for their consideration and action. Any agreement to provide financial assistance is contingent on the approval of the development by the City Council or other appropriate City Agency.

REFERENCE:

Council Policy 900-01 - Economic Development  
Council Policy 000-19 - Legislative Policy Guidelines

HISTORY:

Added by Resolution R-282497 08/09/93

(R-95-752)

RESOLUTION NUMBER R-284933  
ADOPTED ON NOVEMBER 14, 1994

WHEREAS, San Diego Municipal Code sections 67.72 (water) and 64.0410 (sewer) provide that minimum water and sewer capacity changes may be established by resolution of the City Council upon the giving of ten (10) days notice of intention to establish, amend or increase such charges; and

WHEREAS, said notice of intention has been given by posting in the office of the City Clerk; and

WHEREAS, certain new or expanded commercial/industrial business enterprises are fundamental to the economic well-being of the community; and

WHEREAS, it is the policy of the City Council to attract and retain major revenue and job generating projects throughout the City; NOW, THEREFORE,

BE IT RESOLVED, by the Council of The City of San Diego, as follows:

1. That pursuant to San Diego Municipal Code section 67.72, the following water capacity charges are established:

A. A minimum capacity charge of four thousand twelve dollars (\$4,012) per single family dwelling or its equivalent shall be paid.

B. Notwithstanding the above, a minimum capacity charge of two thousand five hundred dollars (\$2,500) per single family dwelling or its equivalent shall be paid in the case of new or expanding commercial/industrial enterprises which meet all of the following criteria as determined by the City Manager:

1. Contribute to the improvement and growth of the City's economic base;

2. Demonstrate an established track record for high volume tax revenue generation;

3. Provide employment opportunities for City residents;

4. Demonstrate a long-term commitment to the community;

5. Are consistent with the City's Economic Development Policy and Strategic Plan and the community's needs and

objectives; and

6. Generate or retain stabilized annual City tax revenues of at least \$500,000, or create 200 quality jobs, or provide substantial new or expanded scientific research facilities.

2. That pursuant to San Diego Municipal Code section 64.0410, the following sewer capacity charges are established:

A. A minimum capacity charge of six thousand nine hundred ninety-eight dollars (\$6,998) per single family dwelling or its equivalent shall be paid.

B. Notwithstanding the above, a minimum capacity charge of two thousand five hundred dollars (\$2,500) per single family dwelling or its equivalent shall be paid in the case of new or expanding commercial/industrial enterprises which meet all of the criteria referenced in Section 1.B. above as determined by the City Manager.

3. That the City Manager is hereby authorized to negotiate appropriate schedules for the payment of water and sewer capacity charges with new or expanding commercial/industrial enterprises meeting the revenue and job-generating criteria contained in Sections 1.B. and 2.B. above.

4. That in those areas of the City where a capacity charge in the form of area charges as established by Council resolution or taxation or special assessment districts (excluding 1911 and 1913 Act assessment districts) results in a payment to the City totaling more than the aforementioned charges per single family dwelling or its equivalent, no new capacity charges shall be imposed by this resolution; however, charges imposed due to reimbursement agreements entered into by the City of San Diego shall be collected where applicable in every case.

BE IT FURTHER RESOLVED, that this resolution shall be effective and in force on the sixtieth (60th) day after its passage.

APPROVED: JOHN W. WITT, City Attorney

By

Ted Bromfield

Chief Deputy City Attorney

TB:mb

11/04/94

11/15/94 Corr.

Or.Dept:W.Util.

R-95-752

Form=r-t

Attachment  
CITY of SAN DIEGO  
MEMORANDUM

DATE: January 31, 1995

TO: ~~L~~ Ana Maria Gutierrez, City Ombuds Service  
Michael Jenkins, Special Projects

FROM: Kurt A. Chilcott, Director, Economic Development Services

SUBJECT: WATER AND SEWER CAPACITY FEE REDUCTIONS -- STANDARDS FOR MEETING CRITERIA

---

The purpose of this memo is to clarify certain standards in City Manager's Report No. 94-349 relating to the reduction of water and sewer capacity fees.

- B. *"[E]stablished track record for high volume tax revenue generation"* -- the tax generation need not be sales taxes payable to the City. We would certainly consider other tax revenues such as property taxes or payroll taxes. Note that the track record of tax revenue generation need not necessarily be in San Diego, so long as the company meets that standard at D.
- C. *"Provide employment opportunities for City residents"* -- we need some verification that the business is returning something of tangible benefit to the City. This standard can be met either by the company providing a copy of an adopted policy that gives local preference, or, preferably, by the company entering into a "first source hiring agreement" with the San Diego Consortium & Private Industry Council.
- D. *"Demonstrate a long-term commitment to the community"* -- this standard could be met by the company's demonstrated history in San Diego; alternatively, a new company locating here could meet this standard through a substantial new investment, such as building a headquarters facility or entering into a twenty year lease, etc.
- F. *"Generate or retain stabilized annual City tax revenues of at least \$500,000"* -- "generate" means new revenue; "retain" means prevented from moving from the San Diego region. "City tax revenues" means the 1% in sales taxes that the City receives from retail sales; thus, the project must gross at least \$50,000,000 in taxable sales (as distinguished from, say, food sales, which are not taxable).  
*"create 200 quality jobs"* -- "quality" jobs are those with both health benefits (and preferably retirement benefits) and a pay scale that is at least at or above the poverty level (i.e., \$13.33/hr for single person, \$16.85/hr for family of four, etc.).  
*"provide for new or expanded scientific research facilities"* -- must be verified by some independent source, such as an annual report; may be part of a manufacturing facility, so long as the expansion is a bona fide scientific research use.

There will undoubtedly be other interpretation issues to arise. Just keep in mind that the primary goal of this new policy is to promote job growth, diversification of the economy into high technology, and sales tax generation for the City.

cc: Roger Graff, Water Utilities Department  
h2ofee.mem/mj

(R-96-1480)

RESOLUTION NUMBER R-287543

ADOPTED ON JUNE 24, 1996

WHEREAS, San Diego Municipal Code section 67.72 provides that minimum water capacity charges may be established by resolution of the City Council upon the giving of ten (10) days notice of intention to establish, amend, or increase said charges; and

WHEREAS, San Diego Municipal Code section 64.0410 provides that minimum sewer capacity charges may be established by resolution of the City Council upon the giving of ten (10) days notice of intention to establish, amend, or increase said charges; and

WHEREAS, said notices of intention have been given by posting in the office of the City Clerk; NOW, THEREFORE,

BE IT RESOLVED, by the Council of The City of San Diego, as follows:

1. That pursuant to San Diego Municipal Code section 67.72, the following water capacity charges are established:

A. A minimum capacity charge of two thousand five hundred dollars (\$2,500) per equivalent family unit (also known as equivalent dwelling unit) or its equivalent shall be paid.

B. Notwithstanding the above, a minimum capacity charge of one thousand five hundred dollars (\$1,500) per equivalent family unit or its equivalent shall be paid for (1) affordable housing



units, defined as units planned to be occupied by (and with rates affordable to) families earning no more than 65% of median area income adjusted for family size as certified by the San Diego Housing Commission; (2) new residential construction in City approved Redevelopment Areas; or (3) commercial and industrial enterprises which, as determined by the City Manager, meet all of the criteria set forth in Council Policy 900-12, as follows:

- a. Contribute to the improvement and growth of the City's economic base;
- b. Demonstrate an established track record for high volume tax revenue generation;
- c. Provide employment opportunities for City residents;
- d. Demonstrate a long-term commitment to the community;
- e. Are consistent with the City's Economic Development Policy and Strategic Plan and the community's needs and objectives; and
- f. Generate or retain stabilized annual City tax revenues of at least \$500,000, or create 200 quality jobs, or provide substantial new or expanding scientific research facilities.

2. That pursuant to San Diego Municipal Code section 64.0410, the following sewer capacity charges are established:

A. A minimum capacity charge of two thousand five hundred dollars (\$2,500) per equivalent family unit (also known as equivalent dwelling unit) or its equivalent shall be paid.

B. Notwithstanding the above, a minimum capacity charge of one thousand five hundred dollars (\$1,500) per equivalent family unit or its equivalent shall be paid for (1) affordable housing units, defined as units planned to be occupied by (and with rates affordable to) families earning no more than 65% of median area income adjusted for family size as certified by the San Diego Housing Commission; (2) new residential construction in City approved Redevelopment Areas; or, (3) commercial and industrial business enterprises which, as determined by the City Manager, meet all of the criteria set forth in Council Policy 900-12, as follows:

- a. Contribute to the improvement and growth of the City's economic base;
- b. Demonstrate an established track record for high volume tax revenue generation;
- c. Provide employment opportunities for City residents;
- d. Demonstrate a long-term commitment to the community;
- e. Are consistent with the City's Economic Development Policy and Strategic Plan and the community's needs and objectives; and

- f. Generate or retain stabilized annual City tax revenues of at least \$500,000, or create 200 quality jobs, or provide substantial new or expanding scientific research facilities.

3. That the City Manager is directed to develop financing plans that incorporate these reduced water and sewer capacity charges with recommended levels of service charges and bond financing, and with no service charge increases caused by the capacity charge reductions.

4. That charges imposed due to reimbursement agreements entered into by The City of San Diego shall be collected where applicable in every case.

BE IT FURTHER RESOLVED, that the City Manager is authorized to review water and sewer capacity charges paid on or after April 22, 1996 and make appropriate reimbursements in conformance with the charges authorized above.

BE IT FURTHER RESOLVED, that this resolution shall be effective and in force on the date of its passage.

APPROVED: JOHN W. WITT, City Attorney

By  
Steven B. Gold  
Deputy City Attorney

TB:SBG:mb:pev  
06/17/96  
Or.Dept:Fin.  
R-96-1480  
Form=r-t

(R-98-1272)

RESOLUTION NUMBER R-290241

ADOPTED ON JUNE 15, 1998

RESOLUTION AMENDING COUNCIL POLICY NO. 900-12  
REGARDING THE BUSINESS AND INDUSTRY INCENTIVE  
PROGRAM.

BE IT RESOLVED, by the Council of The City of San Diego, that Council Policy No. 900-12 titled, "Business and Industry Incentive Program," be and it is hereby amended as set forth in the Council Policy filed in the office of the City Clerk as Document No. RR-290241.

BE IT FURTHER RESOLVED, that the City Clerk is hereby instructed to add the aforesaid to the Council Policy Manual.

APPROVED: CASEY GWINN, City Attorney

By \_\_\_\_\_  
Allisyn L. Thomas  
Deputy City Attorney

ALT:cdk  
05/04/98  
Or.Dept:Com.& Eco.Dev.  
R-98-1272  
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CITY OF SAN DIEGO, CALIFORNIA  
COUNCIL POLICY

SUBJECT

POLICY  
NUMBER 900-12

BUSINESS AND INDUSTRY INCENTIVE PROGRAM

EFFECTIVE  
DATE 06/15/1998

BACKGROUND:

The City of San Diego is dependent on the continued stability and growth in various revenues and jobs in order to provide essential services to the community. Stability and growth in revenues such as sales and property tax are related not only to the health of the local economy, but to the location and expansion of major revenue and job generating developments.

Commercial development such as auto malls and shopping centers as well as point of sale businesses are responsible for the substantial portion of the City's general fund revenues. A decline in these types of establishments within the City of San Diego will lead to a corresponding erosion in the tax base, jobs, and revenues to the City.

Other jurisdictions within the region are aggressively competing for additional revenues and jobs from these businesses. Incentives and subsidies are commonly provided in order to attract and retain these revenue and job generating projects.

The City of San Diego through its Redevelopment Agency has the ability to provide financial assistance to eliminate blighting conditions. Similarly, the City has developed a process and procedures for the disposition of City-owned land which include the ability to offer some financial incentives. The City also has the capability to enter into Development Agreements which include provisions for City assistance. The City does not have a program to offer financial or other types of assistance to major revenue and job generating projects outside of redevelopment project areas large scale development agreements or city-owned property.

PURPOSE:

To provide criteria and procedures for a Business and Industry Incentive Program designed to attract and retain major revenue and job generating projects throughout the City.

POLICY:

It shall be the policy of the City Council to consider providing assistance to attract and retain major revenue and job generating projects which:

Contribute to the improvement and growth of the City's economic base;

Demonstrate an established track record for high volume tax revenue generation;

Provide employment opportunities and child care facilities for city residents;

CITY OF SAN DIEGO, CALIFORNIA  
COUNCIL POLICY

SUBJECT

POLICY  
NUMBER

900-12

BUSINESS AND INDUSTRY INCENTIVE PROGRAM

EFFECTIVE  
DATE

06/15/1998

Demonstrate a long term commitment to the community;

Are consistent with the City's Economic Development Policy and Strategic Plan and the community's needs and objectives;

Generate new or retained stabilized annual City tax revenues of at least \$500,000; create 200 quality jobs; provide for substantial new or expanded scientific research facilities.

Furthermore, it shall be the policy of the City Council to allow direct negotiation with revenue and job generating projects including the following types of assistance:

Expedited permit processing to insure the timely completion of development and initiation of revenue flow;

Formation by the City of assessment districts which provide for the long term financing of public improvements associated with the development;

Fee credits for public improvements which are associated with the development and included in an adopted facilities financing plan;

Reimbursement for costs of public improvements which are associated with the development from future revenue sources including public infrastructure funds;

Reimbursement of fees through future revenues derived from the development.

PROCEDURE:

Revenue and job generating developments requesting assistance from the City of San Diego shall submit information detailing how they meet the required criteria and the type of assistance requested. Upon review by staff and/or the City's financial consultants, additional information may be requested and the applicant may be required to assume the costs of an independent analysis of their project. Should it be determined that financial assistance is justified, a proposed agreement shall be brought forward to the City Council for their consideration and action. Any agreement to provide financial assistance is contingent on the approval of the development by the City Council or other appropriate City Agency.

REFERENCE:

Council Policy 900-01-Economic Development  
Council Policy 000-19-Legislative Policy Guidelines

CITY OF SAN DIEGO, CALIFORNIA  
COUNCIL POLICY

SUBJECT

POLICY  
NUMBER 900-12

BUSINESS AND INDUSTRY INCENTIVE PROGRAM

EFFECTIVE  
DATE 06/15/1998HISTORY:

Added by Resolution R-282497 08/09/1993

Amended by Resolution R-290241 06/15/1998

(R-2001-1441)

RESOLUTION NUMBER R-294831

ADOPTED ON MAY 15, 2001

BE IT RESOLVED, by the Council of The City of San Diego, that the City Manager be and he is hereby authorized to accept the Community and Economic Development Programs and Projects Report, as set forth in Report No. 01-083.

BE IT FURTHER RESOLVED, that the Council accept the City Manager's recommendation to update the Community and Economic Development Strategy, as revised by the Public Safety and Neighborhood Services Committee, as set forth in Report No. 01-083.

BE IT FURTHER RESOLVED, that the City Manager is authorized to accept the amendments to City Council Policy No. 900-12, as set forth in Report No. 01-083.

APPROVED: CASEY GWINN, City Attorney

By

Lisa A. Foster  
Deputy City Attorney

LAF:jrl  
04/25/01  
Or.Dept:Comm.&Econ.Dev.  
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CITY OF SAN DIEGO, CALIFORNIA  
COUNCIL POLICY

SUBJECT

POLICY  
NUMBER 900-12

BUSINESS AND INDUSTRY INCENTIVE PROGRAM

EFFECTIVE  
DATE 05/15/2001

BACKGROUND:

Local residents depend on a sound and healthy economy for both the jobs and commercial services that provide the foundation for a high quality of life. The City of San Diego depends on the stability and growth of taxes and other revenues resulting from a sound and healthy economy to provide essential services to the community.

Auto malls, shopping centers, manufacturing facilities, research and development facilities, and large point of sale businesses are responsible for a substantial portion of the City's general fund revenues. A decline in these businesses' sales, number, or overall health will lead to a corresponding erosion in the tax base, jobs, revenues to the City, and public service levels. Other jurisdictions aggressively compete for these businesses' jobs and revenues by offering attractive incentives and subsidies for the purpose of inducing them to relocate from San Diego.

A further challenge to the City's quality of life is that certain parts of the City have declined in economic vitality because of their age, competition from newer retail centers, and disinvestment. This decline further reduces the City of San Diego's property and sales tax base as well as diminishing the quality and number of these areas' residents' desired commercial services.

The City of San Diego has programs aimed at specific economic development goals. For example, the Redevelopment Agency has the ability to provide financial assistance to businesses as part of a plan to eliminate blighting conditions; the Enterprise Zones promote job opportunities in low-income neighborhoods; targeted public improvements are used to stimulate new private investments; and the Business Improvement Districts provide a partnership between the City and merchants in certain designated commercial corridors to provide private sector revitalization solutions.

Despite these programs, the City must also have a program to offer financial or other assistance for major revenue and job generating projects that promote a sound and healthy economy, to promote the stability and growth of City taxes and other revenues, to encourage new business and other appropriate development in older parts of the City, and to respond to other jurisdictions' efforts to induce business to relocate from San Diego.

PURPOSE:

To provide for a Business and Industry Incentive Program designed to attract and retain major revenue, job generating, and revitalization projects throughout the City, along with criteria and procedures to ensure that the Program is equitably and efficiently administered.

## COUNCIL POLICY

SUBJECT

POLICY  
NUMBER

900-12

BUSINESS AND INDUSTRY INCENTIVE PROGRAM

EFFECTIVE  
DATE

05/15/2001

POLICY:

It shall be the policy of the City Council as follows:

**A. Criteria for Business and Industry Incentives**

The City may provide assistance when necessary or appropriate to attract, retain, expand, or assist projects or businesses which meet both following criteria -

1. Either:
  - a. Provide significant revenues and/or jobs that contribute to a sound and healthy economy;
  - b. Promote the stability and growth of City taxes and other revenues;
  - c. Encourage new business and other appropriate development in older parts of the City; or
  - d. Respond to other jurisdictions' efforts to induce businesses to relocate from San Diego;

and

2. Are consistent with the City's current adopted Community and Economic Development Strategy.

**B. Authorized Business and Industry Incentives**

The City may provide one or more of the following incentives, as necessary or appropriate, for projects or businesses that meet the criteria of A. above -

1. The City Manager or his designee may exercise administrative discretion to authorize one or more of the following incentives:
  - a. The provision of assistance in securing required City permits and approvals;
  - b. The provision of due diligence assistance in advance as a potentially valuable project is under consideration, and the provision of preliminary reviews;
  - c. The expediting of required Development Review Department permits;

CITY OF SAN DIEGO, CALIFORNIA  
COUNCIL POLICY

SUBJECT	POLICY NUMBER	900-12
	EFFECTIVE DATE	05/15/2001

## BUSINESS AND INDUSTRY INCENTIVE PROGRAM

- d. Crediting up to 45% of sales or use taxes paid by the business against City business license taxes and/or development related fees, or rebating up to 25% of sales or use taxes paid by the business, if such sales or use taxes constitute previously uncollectable revenue to the City and the business pays its sales or use taxes to the State Board of Equalization properly reporting San Diego as the situs of sale or use, consistent with the provisions of the Business Cooperation Program (Resolution R-288034); and/or
  - e. Reducing water and sewer capacity charges by \$1,000 per equivalent dwelling unit (Resolution R-287543).
2. The City Council must approve any one or more of the following incentives:
- a. Reimbursing all or a portion of City permit processing fees. Development Impact Fees, Facilities Benefit Assessments, Housing Impact Fees, Water/Sewer Capacity fees; fees collected pursuant to Developer Reimbursement Agreements, and/or costs of public improvements that are a required condition of the development, from future revenues to the City generated directly from the project after the City's receipt thereof;
  - b. Rebating all or a part of the City's portion of real and personal property taxes paid to the County Assessor levied on real and personal property related to the project's manufacturing process after the City's receipt thereof, consistent with the provisions of authorizing the state law (Calif. Rev. & Taxation Code, Section 5108 et. seq. and 51298 et. seq.); and/or
  - c. Providing tax-exempt bond financing through issuance or approval of Industrial Development Bonds, Non-Profit Bonds, or Enterprise Zone Bonds, pursuant to Council Policy 100-12.

PROCEDURE:

An owner or authorized proponent of a business or project seeking assistance from the City of San Diego shall submit information to the City Manager or his designee detailing how the business or project meets the required criteria, the type of assistance requested, and how the assistance may affect the development decision.

CITY OF SAN DIEGO, CALIFORNIA  
**COUNCIL POLICY**

SUBJECT

POLICY NUMBER	900-12
EFFECTIVE DATE	05/15/2001

**BUSINESS AND INDUSTRY INCENTIVE PROGRAM**

The City Manager or his designee shall review the business or project information and may deny the requested assistance or negotiate an Incentive Agreement providing for assistance, as appropriate. If necessary, the Manager or his designee may request additional information, may refer the request and supporting information to a City financial consultant, or may require the applicant to assume the costs of an independent consultant selected by the City. If assistance pursuant to this Policy is justified, an agreement shall be drafted incorporating the recommended assistance among the incentives described in Paragraph B above, as appropriate.

An agreement that does not involve General Fund reimbursement of fees or rebate of taxes, or which authorizes reimbursement based on prior City Council authorization, may be approved by City Manager action. An agreement that requires General fund reimbursement of fees or rebate of taxes shall be presented to the City Council for its review and approval, along with a supporting Manager's Report. The Manager's Report shall include a cost/benefit analysis of the proposed incentive, including both the fiscal impact on the City as well as broader economic and social impacts, if any. General Fund obligations incurred as a result of Incentive Agreement approved by the City Council shall be included in the Annual Budget.

Incentive Agreements shall be comprehensive in scope, including all types of assistance necessary and appropriate for the business or project as well as appropriate requirements that the business or project must fulfill as conditions for receiving the assistance, including requirements involving City partnership agencies such as the Centre City Development Corporation, the San Diego Workforce Partnership, etc. Approval of an Incentive Agreement, whether by City Manager action or by the City Council, does not imply approval of required development permits, including discretionary permits.

REFERENCE:

Council Policy 900-01 - Economic Development  
Council Policy 000-19 - Legislative Policy Guidelines  
Council Policy 100-12 - Industrial Development Bond Program  
Resolution R-287543 - Water/Sewer Capacity Fee Reductions  
Resolution R-286015 - Housing Impact Fee Waiver - Enterprise Zones  
Resolution R-288034 - Business Cooperation Program

HISTORY:

Added by Resolution R-282497 08/09/1993  
Amended by Resolution R-290241 06/15/1998  
Amended by Resolution R-294831 05/15/2001

RESOLUTION NUMBER R-299321

ADOPTED ON JUNE 8, 2004

A RESOLUTION OF THE CITY COUNCIL AUTHORIZING  
AND DIRECTING THE CITY MANAGER TO INCREASE  
SEWER CAPACITY CHARGES.

WHEREAS, San Diego Municipal Code section 64.0410 provides that sewer capacity charges [Capacity Charges] may be established by resolution of the City Council upon giving ten days notice of intention to establish, amend, or increase such charges; and

WHEREAS, the City has undertaken a cost of service study [Study] to evaluate whether the City's current Capacity Charges are achieving full cost recovery from new connections to the City Sewer System; and

WHEREAS, the Study concluded that the City needs to increase its Capacity Charges in order to achieve full cost recovery; and

WHEREAS, the City *has determined that* it is appropriate to increase the Capacity Charges to achieve full cost recovery; and

WHEREAS, the City posted a notice of its intention to increase Capacity Charges in compliance with San Diego Municipal Code section 64.0410; NOW THEREFORE,

BE IT RESOLVED, by the City Council of the City of San Diego that the City Council finds and determines that the foregoing Recitals are true and correct.

BE IT FURTHER RESOLVED, that, effective July 1, 2004, except for affordable housing units and residential units constructed in redevelopment areas and commercial and industrial enterprises qualifying for reduced Capacity Charges pursuant to Council Policy 900-12

and Resolution Number R-287543, the City Manager is authorized and directed to increase Capacity Charges to \$3,710 per equivalent dwelling unit.

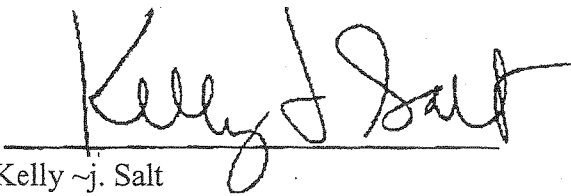
BE IT FURTHER RESOLVED, that the City Manager is directed to review Council Policy 900-12 relating to the business and industry incentive program for water and sewer capacity charges, and report back to the *City Council within three months*.

BE IT FURTHER RESOLVED, that the City Manager is directed to review the issues raised by the California Multi-Housing Laundry Association regarding the impact of conversions of apartment buildings to condominiums and the payment of Capacity Charges as a result of such conversions, and report back to the City Council within three months.

APPROVED: CASEY GW NN, City Attorney

KJS:p  
ev  
05125

By



/04 Kelly J. Salt  
Deputy City Attorney

06114

/04 Rev.

Or.Dept: Wtr. & M WD R-  
2004-1306

JUN 08 2004

Passed and adopted by the Council of The City of San Diego on \_\_\_\_\_  
by the following vote:

Council Members	Yeas	Nays	Not Present	Ineligible
Scott Peters	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Michael Zucchet	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Toni Atkins	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Charles L. Lewis	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Brian Malenschein	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Donna Frye	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Jim Madaffer	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ralph Inzunza	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mayor Dick Murphy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

AUTHENTICATED BY:

(Seal)

DICK MURPHY

Mayor of The City of San Diego, California.

CHARLES G. ABDELNOUR

City Clerk of The City of San Diego, California.

By \_\_\_\_\_

Deputy.

Office of the City Clerk, San Diego, California

Resolution 299321  
Number \_\_\_\_\_

Adopted \_\_\_\_\_

JUN 08 2004